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JEWEL TEA CO., INC.

Annual Report

1950

JEWEL ROUTES Blanket the Nation

GENERAL OFFICES
warehouse and
manufacturing plant
Barrington, Illinois

IMPORTING
OFFICES
New York, N. Y.

WEST COAST
Plant and Warehouse
Los Angeles, California

cMap showing location of Jewell's 76
Branch Office-Warehouses serving as Distribu-
tion Centers for the 2,046 Home Service
Routes.

- BRANCH OFFICE-WAREHOUSE
- Indicates the number of Home Service
Routes serving Homemakers in each of
42 states and the District of Columbia



ANNUAL REPORT

1 9 5 0



JEWEL TEA CO., INC.

BARRINGTON, ILL.

1950 RESULTS IN BRIEF

	1950	1949
Retail sales	\$188,688,928	\$168,787,620
Earnings:		
Before all taxes	\$ 12,648,272	\$ 10,604,569
After all taxes	4,313,089	4,171,929
Applicable to common stock	4,037,689	3,894,476
Per share of common stock	7.16	6.93
Accumulated earnings [<i>reinvested in the business</i>]:		
For the year	\$ 2,235,300	\$ 1,985,473
Total at the year end	12,024,839	9,789,539
Working capital:		
Net dollars	\$ 15,459,246	\$ 13,327,459
Ratio—current assets to current liabilities	2.0 to 1	2.3 to 1
Operating units:		
Home Service Routes	2,046	1,962
Retail Food Stores	154	153
Number of employees	6,435	6,245
Number of shareholders	6,381	6,635

A Message

February 7, 1951

*To Jewel Stockholders
and Employees:*

This annual report covers our 52nd year—the best in our history for both sales and earnings. Financial statements covering the 52 weeks ended December 30, 1950 and the independent public accountants' report appear on pages 17 to 23. Highlights of the year as compared with 1949 are shown on the opposite page.

SALES AND EARNINGS

Retail sales for the year were \$188,688,928, a gain of \$19,901,308, or 11.8% over 1949. Both our Home Service Routes and Retail Food Stores contributed to this increase. The gain in sales, except in the case of coffee, came primarily from additional quantities of merchandise sold. Total coffee sales, a substantial part of our business, were higher in dollars but lower in pounds due to higher average retail prices resulting from higher costs of green coffee. During the year the company continued to expand its service to customers through the addition of new and popular lines of merchandise.

Net earnings of \$4,313,089 exceeded 1949 earnings by \$141,160 or 3.4%. This is the seventh consecutive year in which earnings have exceeded those of the preceding year. After preferred dividends, 1950 earnings amounted to \$7.16 per share of common stock compared with \$6.93 in 1949 and \$6.66 in 1948. Dividend requirements on our preferred stock were earned 15.7 times.

DIVIDENDS

The common stock quarterly dividend was increased to 75¢ per share for the third and fourth quarters of 1950. Including the year end special dividend of 50¢ per share, declarations for the year totaled \$3.20. Total cash payments to common stockholders in 1950 amounted to \$4.20 per share since the prior year's special dividend was paid on January 2, 1950.

DISTRIBUTION COSTS LOWERED

The price at which any retailer sells an article—whether it be a pound of coffee, a quart of milk, or an automobile, is made up of four basic factors: the cost of the article; expenses; taxes; and profit. Dramatic improvements in distributing and retailing methods of our industry in recent years have resulted in added efficiencies all along the line. For example, the growth in Jewel's volume of business from \$42 million in 1941 to \$189 million in 1950, has been accompanied by a substantial reduction in the share of the customer's dollar required to cover the cost of our services and profit.



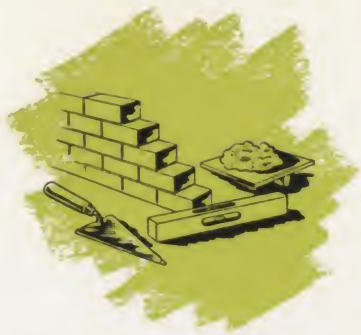
The spread between the wholesale prices we paid for merchandise and the retail prices charged our customers has been reduced since 1941 by over one-fourth.

During these ten years that part of the customer's dollar reflected in the company's profit has declined from 3.6¢ per dollar to 2.3¢ per dollar while our total net earnings have nearly tripled.

MODERNIZATION AND IMPROVEMENTS 1946 THROUGH 1950

In addition to reporting on our progress since 1941 it seems appropriate at this time to report the accumulated results of our modernization and improvement program during the five years since the end of World War II when Government restrictions were relaxed.

During this five year period 41 new Retail Food Stores were added to the chain while 37 obsolete stores were closed. In addition 28 stores were remodeled and enlarged and 82 stores were modernized, leaving only 3 stores without major improvements since 1945. The total floor space of the chain increased from 637,754 square feet in 1945 to 879,312 square feet in 1950,



a gain of 38%. During this time the pounds of food sold per square foot of floor space have increased 48%. In 1949 a 100,420 square foot addition was added to the perishable and frozen food warehouse in Chicago.

A total of 438 new Home Service Routes was put into operation in established territories during these five years, an increase of 27%. All of our route motor vehicles are postwar models of which nearly two-thirds are modern man-high units. These man-high units replaced half-ton panel delivery cars on the higher volume routes and make it possible to deliver an ever-expanding merchandise line to our customers' homes. Eight branch locations were closed as the result of planned consolidations and 44 branches were moved into new and larger buildings.

Our continuing program of modernization and expansion has made it possible to serve our customers better, to improve the earnings of Jewel people, and to add to the value of stockholders' investment. The maps on the inside cover show the present location of our Retail Food Stores, plants, warehouses and offices, and the states in which our Home Service Routes operate.

MODERNIZATION AND IMPROVEMENTS—1950

During the year 12 modern Retail Food Stores were opened and 11 obsolete stores were closed, resulting in 154 stores in operation at the year end. Air-conditioning equipment was installed in 10 of our larger volume stores to determine the customer and employee appeal of these more pleasant shopping and working conditions.

Home Service Routes in operation at the year end numbered 2,046 or 84 more than a year ago. The added routes are all served from the previously existing 76 branch locations, resulting in a more efficient operation.

We recently completed an addition to the Los Angeles plant and warehouse necessitated by our expanding business volume in the West Coast area. Work was started last month on a 48,000 square foot addition to the Barrington plant.



FINANCIAL PLANNING

At the year end, our total assets were in excess of \$41,000,000 and our net working capital was in excess of \$15,000,000, both new records. The sources which contributed to this growth during the past ten years are outlined below:

Sources of Working Capital:

Retained earnings	\$9,790,000	
Sale of preferred stock	7,500,000	
Sale of common stock to employees.....	388,000	
All other	317,000	\$17,995,000

Uses of Working Capital:

New property, plant and equipment, net.....	6,658,000	
Increase in premiums advanced to customers.....	345,000	
Preferred stock purchased for sinking fund.....	156,000	7,159,000

Increase in Working Capital during the ten years	\$10,836,000
Working Capital at December 28, 1940.....	4,623,000

Working Capital at December 30, 1950.....	<u>\$15,459,000</u>
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Negotiations were started early last summer to make available in case of need additional capital up to \$8,000,000 in order further to strengthen and protect our financial position in the light of present unsettled world conditions. Arrangements were completed with a group of the company's principal banks on November 17, 1950 for a 10-year unsecured bank credit in the amount of \$3,000,000, all or any part of which is available on a standby basis for the first three years. At the end of the three-year period the full amount of this bank credit or any part thereof may be converted, at the company's option, into a term loan having a final maturity in 1961. Negotiations were completed on January 26, 1951 with

two large life insurance companies for a 20-year unsecured loan for \$5,000,000 of which \$3,000,000 was received on February 2, 1951. The balance of \$2,000,000 is available to the company in whole or in part, at its option, under a two-year standby commitment.



TAXES

Federal, state and local taxes for the year amounted to \$7,864,143. This is equal to \$13.95 per share on our common stock. It is also equal to \$1,222 for each Jewel employee and to \$1,232 for each Jewel stockholder. In addition, \$2,557,341 of withholding and social security taxes were deducted from employees' pay checks and remitted to the various taxing bodies.

Federal income taxes alone for the year 1950 are estimated at \$3,857,000. The following table compares our 1950 earnings under this tax with what they would have been under the two prior laws in effect during 1950, and the further effect of the new tax presently prescribed for 1951:

	Per Share of Common Stock		
	Earnings Before Federal Income Tax	Federal Income Taxes	Net Earn- ings
At a 38% rate, in effect most of the year....	\$14.00	\$5.58	\$8.42
At a 42% rate, approved in September but made retroactive for the whole year.....	14.00	6.15	7.85
At a 42% rate, plus 15% excess profits rate, approved in January, 1951 but made retroactive for the whole year 1950.....	14.00	6.84	7.16
At a 47% rate, plus 30% excess profits rate presently prescribed for the year 1951.....	14.00	8.24	5.76

Refunds of excess profits taxes for the years 1940 through 1943 amounting to \$324,375 were received in July 1950 and are described in a footnote to the financial statements.

THE YEAR AHEAD

Sales and earnings thus far in 1951 compare favorably with results a year ago at this time. Whether this trend will continue during the balance of the year cannot be forecast with any degree of certainty. It is expected that demand will continue strong and that record food supplies will be available. On the other hand, as the defense program accelerates all business can expect many dislocations and interferences with normal operations.

In many respects Jewel's situation is more fortunate than at the outset of World War II, when gasoline and tires for the Home Service

Routes were serious problems. We are informed that capacity in the petroleum industry will support a considerable increase in demand for gasoline. The rubber supply appears adequate as a result of the synthetic rubber facilities built during the last war. There would appear to be no need for the rationing of coffee, which affected our operations in World War II, unless full-scale war should break out and normal shipping be seriously restricted. Moreover, because of postwar expansion in other merchandise lines, coffee now contributes a smaller proportion of total earnings than was true at the outbreak of World War II.

In face of the present critical world situation there is ever present the possible unfavorable effects of governmental controls and restrictions, increasing demands on man power, cutbacks in civilian production and higher taxes. However, Jewel employees have long considered such problems as a challenge to their initiative and resourcefulness.

CHANGES WITHIN THE MANAGEMENT

Effective January 1, 1951, F. J. Lunding, President, was elected Chairman of the Executive Committee. He will continue as Chief Executive Officer of the company. G. L. Clements, formerly Vice President and General Manager of the Food Stores Department, was elected President of the company and a member of the Executive Committee of the Board of Directors. W. A. Gerbosi, Vice President and General Manager of the Routes Department, was elected a member of the Executive Committee. This Committee, which formulates and recommends major company policies to the Board of Directors, is now composed of the above three officers, together with John M. Hancock, Chairman of the Board and J. M. Friedlander, Financial Vice President.

PEOPLE MAKE JEWEL

There were 6,435 individuals making up the Jewel organization at the year end. Their personal welfare is important to themselves, their families and the company and they have joined with the company to reduce the worry about the daily hazards of life and their retirement security. Free-



dom from worry releases energy for their daily jobs and for improvement of their earnings through the many incentive compensation plans provided by our business. Two of Jewel's principal protective plans are worthy of special mention.

The contributory "Package Plan", covering hospital, medical, surgical, sick pay and group life insurance, was started January 1, 1950 and has already paid benefits totaling over \$500,000 from funds contributed both by the company and the employee members. This plan is supported by over 97% of eligible employees.

Jewel Retirement Estates, a contributory profit-sharing retirement plan started in 1938, has improved its value and effectiveness with each passing year. As the members have seen their individual accounts grow, they have developed increasing awareness of their stake in the company's profits and of the rewards which can be earned under the American system of private enterprise.

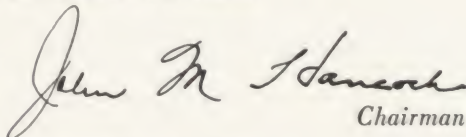
During the year, 132 Jewel people entered the Armed Services. They are still members of the Jewel organization and their employee benefits are being preserved, pending their return.

No report would be complete without an expression of appreciation to those who made possible such a gratifying record. Your management is deeply grateful for the spirit of helpfulness and understanding on the part of all those people who are so vital to Jewel's continued success—customers, employees, stockholders and suppliers.



President

For the Board of Directors



Chairman

For the Executive Committee



Chairman

TEN YEAR STATISTICAL REVIEW

JEWEL TEA CO., INC.

OPERATING PROGRESS

Year	Retail Sales	Payments to or for Employees	Taxes Paid (except social security)	Per Share of Common Stock	
				Net Earnings	Dividends
1941	\$ 41,541,405	\$ 7,585,286	\$2,174,337	\$2.60	\$2.40
1942	53,077,779	8,773,444	2,238,733	2.03	1.80
1943	52,212,105	9,371,233	1,416,182	1.69	1.15
1944	56,899,845	10,544,661	2,508,641	2.12	1.40
1945	63,364,000	11,846,044	3,381,001	2.33	1.50
1946	88,237,518	15,455,305	3,644,382	4.72	2.75
1947	130,477,490	20,301,740	4,612,106	5.58	3.00
1948	152,990,515	23,590,914	5,861,967	6.66	3.15
1949	168,787,620	25,696,802	6,056,203	6.93	3.40
1950	188,688,928	28,099,258	7,864,143	7.16	3.20

FINANCIAL GROWTH

At Year End	Working Capital	Property, Plant and Equipment	Accumulated Earnings (Reinvested in the Business)	Total Assets
1941	\$ 8,482,145	\$4,098,007	\$ 2,394,903	\$16,478,214
1942	8,703,936	4,133,221	2,494,387	16,504,033
1943	9,310,997	3,606,478	2,810,398	16,668,472
1944	9,950,699	3,235,274	3,226,590	18,119,350
1945	10,477,657	3,170,386	3,701,801	19,882,034
1946	10,584,128	3,965,473	4,815,732	22,975,700
1947	12,316,903	6,009,800	5,883,706	28,252,954
1948	12,617,578	8,103,790	7,857,184	32,321,364
1949	13,327,459	9,456,800	9,789,539	34,910,525
1950	15,459,246	9,727,494	12,024,839	41,455,896

JEWEL MANAGEMENT TEAM

BOARD OF DIRECTORS



FRANKLIN J. LUNDING
Chief Executive Officer
Chairman—Executive Committee



JOHN M. HANCOCK
Chairman of the Board
Member—Executive Committee



G. L. CLEMENTS
President
Member—Executive Committee



J. M. FRIEDLANDER
Financial Vice President
Member—Executive Committee



W. A. GERBOSI
Vice Pres. & Gen. Mgr.—Routes
Member—Executive Committee



H. S. BOWERS
Partner, Goldman, Sachs & Co.



A. V. JANNOTTA
Business Consultant



E. H. McDERMOTT
Partner, McDermott, Will & Emery



J. M. O'CONNOR
Vice President—Imports

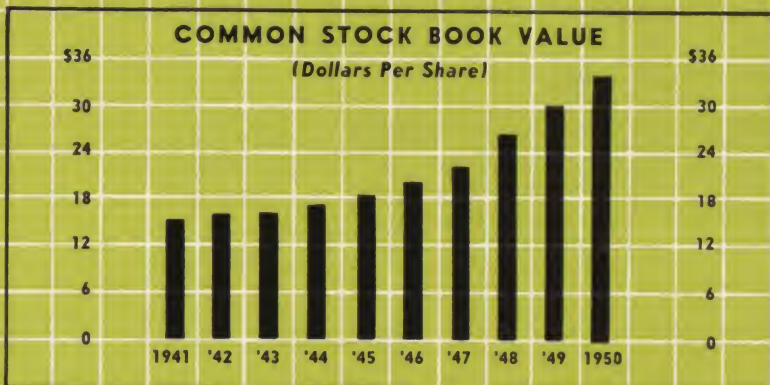
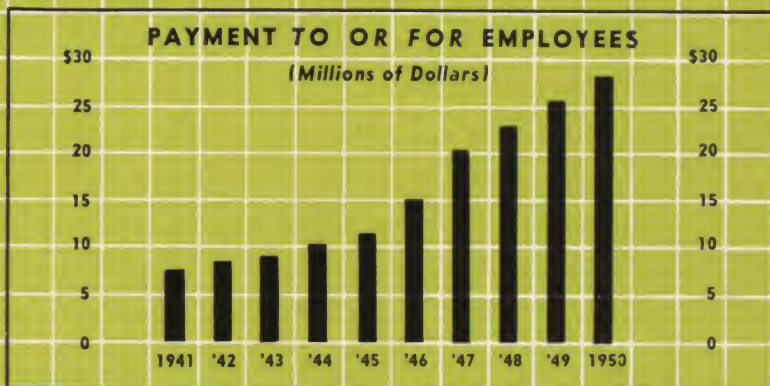
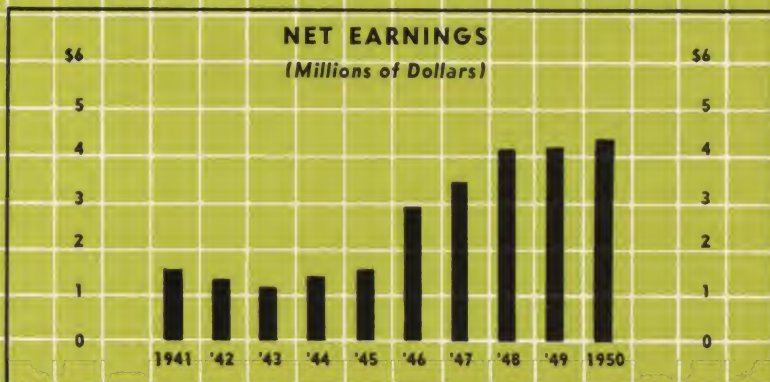


C. B. THOMPSON
*Vice President—First Nat'l.
Bank of Barrington*

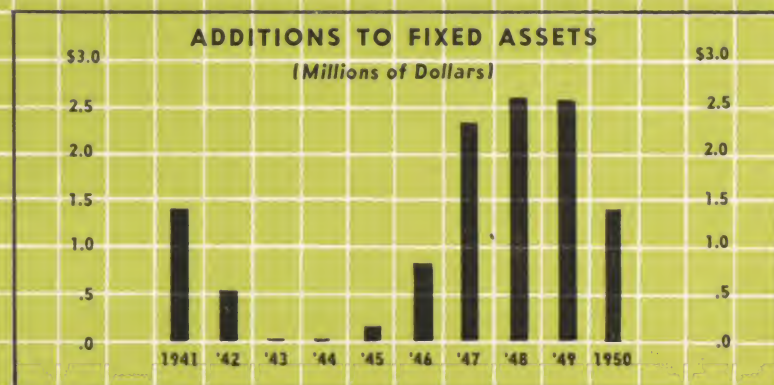
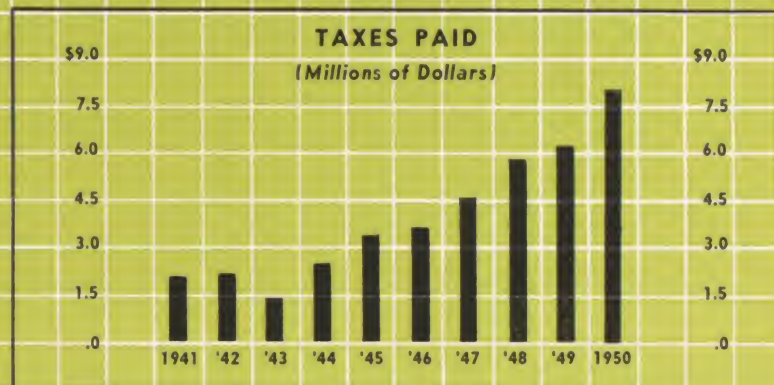
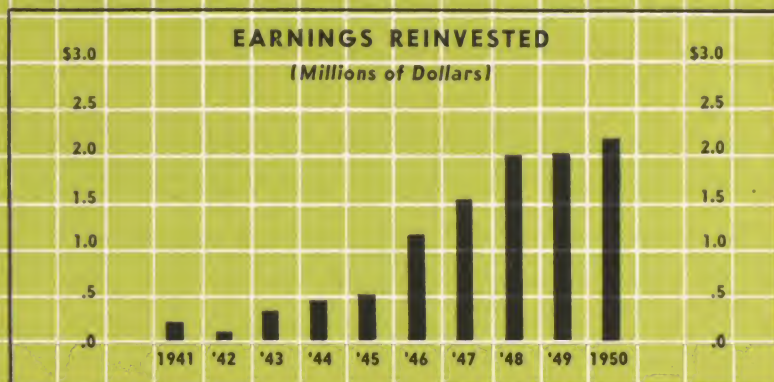


R. R. UPDEGRAFF
Business Consultant and Publisher

A TEN YEAR REVIEW OF JEWELRY



L HISTORY IN GRAPHIC FORM



MEET THE JEWEL

HOME SERVICE ROUTES DEPARTMENT



H. W. DOTT
*Vice President—
Sales*



C. A. LARSON
*Vice President—
Merchandising*



R. W. WILLIAMSON
Assistant Secretary



M. M. BOHN
Merchandising



E. M. BRINKMAN
*Manager—
Manufacturing*



A. E. BUCKINGHAM
Personnel



W. B. BURKMAN
Sales



B. M. CARITHERS
Accounting



J. H. FOSTER
Sales



L. J. HARDEN
Sales



M. J. HEMBREY
Merchandising



S. M. HUNTER
Sales



E. L. JOHNSON
Sales



R. M. JOHNSON
Production



C. H. KERRY
Sales



H. R. MUTH
Merchandising



T. F. PHILBIN
Traffic



J. RADOY
Research



E. E. ROUNDS
Sales



R. A. RUST
Sales



H. L. SELLERS
Merchandising



J. J. SHEEHAN
Production



C. H. SIBLEY
Route Operating



E. B. SPROUL
Accounting



E. R. STANLEY
Sales



D. H. STRINGER
Advertising



F. D. THOMAS
Sales

IMPORTING OFFICES



C. C. HUNGER
New York



A. M. KAISER
New York



C. A. NONENMACHER
Los Angeles

EXECUTIVE STAFF

JEWEL FOOD STORES DEPARTMENT



E. A. MILLER
Vice President—
General Manager



E. E. HARGRAVE
Vice President—
Administration



M. S. MORSE
Vice President—
Operations



F. L. SPREYER
Manager—
Merchandising



J. A. BREWER
Store Operations



G. M. GARNETT
Sales Planning



E. D. KRAMER
Construction



L. E. LARSEN
Accounting



C. P. OSTERMANN
Merchandising



W. C. PURDY
Merchandising



R. J. REUSCH
Warehousing



L. D. SMITH
Plant Operations



D. T. SOUTHON
Procedures



H. G. STIEFENHOFFER
Personnel



A. L. VAN HEULE
Store Operating



E. T. VORBECK
Ass't. Secretary



N. O. WALKER
Real Estate



G. A. WENDEL
Store Operating



A. G. WERNER
Advertising



A. WILSON
Merchandising



F. A. WOERTHWEIN
Store Operating

FINANCE DEPARTMENT



H. C. HOMUTH
Treasurer



P. F. SEIGER
Controller



R. D. STURTEVANT
Sec'y. & Gen. Counsel



W. W. TONGUE
Economist



E. J. DRESMAL
Cashier



C. H. EKLUND
Taxes



W. C. SWANSON
Personnel



H. O. WAGNER
Accounting



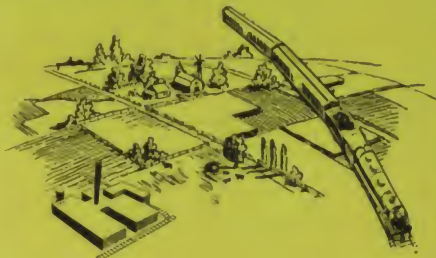
J. W. WIRTH
Auditing

JEWEL'S 1950 SALES DOLLAR

HOW IT WAS DISTRIBUTED



SUPPLIERS*
77.5¢



EMPLOYEES
14.9¢



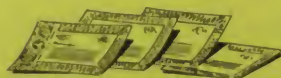
TAXES
4.1¢



DEPRECIATION
1.2¢



EARNINGS
2.3¢



COMPARISONS WITH 1949

and the 1946-1949 average

	1950	1949	1946- 1949 Average
TOTAL SALES AND REVENUES (Millions of Dollars)	\$ 189	\$ 169	\$ 136
DISTRIBUTION (Per \$1 of Sales)			
Suppliers*, etc.	77.5¢	77.6¢	77.0¢
Employees, including social security taxes	14.9	15.2	15.7
Federal, state and local taxes	4.1	3.5	3.7
Depreciation, maintenance and repairs	1.2	1.2	1.0
Earnings	2.3	2.5	2.6
	\$1.00	\$1.00	\$1.00

*Includes products, materials, services, rents and doubtful accounts.



JEWEL TEA CO., INC.

Financial Review

For the Fifty-Two Weeks Ended December 30, 1950

AUDITORS' REPORT

Chicago, Illinois
February 3, 1951

TO THE BOARD OF DIRECTORS,
JEWEL TEA CO., INC.:

We have examined the balance sheet of Jewel Tea Co., Inc., as of December 30, 1950, and the related statements of income and accumulated earnings for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and accumulated earnings present fairly the financial position of Jewel Tea Co., Inc., at December 30, 1950, and the results of its operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Niven, Bailey, Smart

Certified Public Accountants.

FINANCIAL

INCOME ACCOUNT

	52 Weeks Ended Dec. 30, 1950	52 Weeks Ended Dec. 31, 1949
Sales and Revenues:		
Retail sales	\$188,688,928	\$168,787,620
Wholesale and other sales	175,315	213,405
Interest and miscellaneous income	308,779	169,324
Total sales and revenues	189,173,022	169,170,349
Costs of Doing Business:		
Paid to or for the benefit of employees:		
Payrolls	26,261,485	24,264,017
Social security taxes	471,040	376,437
Contribution to Jewel Retirement Estates	1,366,733	1,056,348
Total	28,099,258	25,696,802
Products, materials, services and rents	146,282,475	130,861,188
Depreciation	1,663,401	1,517,918
Maintenance and repairs	586,394	507,545
Doubtful accounts charged to operations.....	364,262	358,764
Federal income taxes	3,469,000	2,549,063
Federal excess profits tax	388,000	—
State, local and all other federal taxes	4,007,143	3,507,140
Total costs of doing business	184,859,933	164,998,420
Earnings for the Year	4,313,089	4,171,929
Percent of earnings to sales and revenues.....	2.3%	2.5%
Dividends on preferred stock	275,400	277,453
Earnings applicable to common stock	\$ 4,037,689	\$ 3,894,476
Earnings per share of common stock	\$ 7.16	\$ 6.93

The notes which follow on pages 20 to 23 give

STATEMENTS

BALANCE SHEET

	Dec. 30, 1950	Dec. 31, 1949
Assets		
Current Assets:		
Cash	\$ 5,252,286	\$ 5,256,327
U. S. Government securities	4,123,780	3,547,713
Accounts receivable	4,096,588	3,056,782
Inventories	16,209,707	11,707,434
Prepaid expenses and supplies	692,370	403,369
Total current assets.....	30,374,731	23,971,625
Claims for Refund of Excess Profits Taxes	—	281,600
Deferred Charge—Premiums Advanced to Customers..	1,353,670	1,200,499
Property, Plant and Equipment.....	9,727,494	9,456,800
Goodwill	1	1
	<u>\$41,455.896</u>	<u>\$34,910.525</u>
Liabilities		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 7,091,200	\$ 4,339,550
Dividends payable	68,850	631,066
Accrued federal, state and local taxes.....	4,759,022	3,318,133
Accrued payrolls and profit sharing	2,996,413	2,355,417
Total current liabilities.....	14,915,485	10,644,166
Reserves:		
Obsolescence, and inventory valuation	750,000	750,000
Automobile accident and other self-insured losses	250,000	250,000
	<u>1,000,000</u>	<u>1,000,000</u>
Capital Stock and Accumulated Earnings:		
Preferred stock	7,500,000	7,500,000
Common stock	6,171,808	6,095,480
Accumulated earnings	12,024,839	9,789,539
	25,696,647	23,385,019
Less preferred stock in treasury	156,236	118,660
	<u>25,540,411</u>	<u>23,266,359</u>
	<u>\$41,455.896</u>	<u>\$34,910.525</u>

additional information about the financial statements.

ACCUMULATED EARNINGS

Reinvested in the Business

Balance, December 31, 1949	\$ 9,789,539
Earnings for the year, from Income Account	<u>\$4,313.089</u>
Less:	
Dividends to owners of the business:	
Preferred shareholders—\$3.75 per share	275,400
Common shareholders—\$3.20 per share	1,802,389
	<u>2,077,789</u>
Earnings reinvested in the business for the year.....	<u>2,235,300</u>
Balance, December 30, 1950	<u><u>\$12,024,839</u></u>

The notes below and on pages 21 to 23 give additional information about the financial statements.

INFORMATION ABOUT THE FINANCIAL STATEMENTS

U. S. GOVERNMENT SECURITIES

Securities are valued individually at the lower of cost or market plus accrued interest, which at the year end was the same as market plus accrued interest.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Items on the balance sheet have been reduced by an allowance for doubtful accounts as follows:

	Dec. 30, 1950	Dec. 31, 1949
Accounts receivable	\$177,417	\$165,134
Premiums advanced to customers	<u>49,902</u>	<u>61,544</u>

INFORMATION ABOUT THE FINANCIAL STATEMENTS

INVENTORIES

Inventories, other than green coffee, at December 30, 1950 are valued at the lower of cost or market, cost being determined on the general principle of "first-in, first-out," as in prior years. Green coffee inventory cost is determined in accordance with the "last-in, first-out" method adopted in 1949.

Inventories at the year end consisted of the following:

	Dec. 30, 1950	Dec. 31, 1949
Green coffee and other raw materials	\$ 3,120,540	\$ 1,967,945
Finished merchandise	13,089,167	9,739,489
	<u>\$16,209,707</u>	<u>\$11,707,434</u>

FEDERAL INCOME AND EXCESS PROFITS TAXES

Net refunds aggregating \$324,375, covering the years 1940 through 1943 and arising primarily from claims for relief from Excess Profits Taxes, were received during the year. This amount was in settlement of the \$281,600 previously carried in the balance sheet for these claims.

Returns for 1944 through 1947 and claims for refunds for 1944 and 1945 have been reviewed by the Internal Revenue Agent in Charge at Chicago. Such reviews which indicate a net refund have not been finally approved by the Bureau of Internal Revenue in Washington and consequently have not been reflected in the financial statements.

PREMIUMS ADVANCED TO CUSTOMERS

In the Routes Department, customers are given the opportunity to receive as premiums, items of household equipment and furnishings. The premiums are paid for by credits subsequently allowed on grocery items and household supplies purchased for cash. The balance sheet amount reflects the cost of premiums advanced but not yet paid for by credits, less an allowance for doubtful accounts.

PROPERTY, PLANT AND EQUIPMENT

It is company policy to acquire the use of retail store and branch warehouse properties under lease agreements wherever possible. These leases, presently 221 in number (generally for 5 year terms but for no longer than 10 years), do not include provisions for purchase of the subject properties nor the assumption of ownership obligations, and the annual commitments thereunder beyond five years are not significant.

INFORMATION ABOUT THE FINANCIAL STATEMENTS

PROPERTY, PLANT AND EQUIPMENT (Cont'd)

A schedule of property, plant and equipment, together with related allowances for depreciation, is shown in the table below:

	Dec. 30, 1950	Dec. 31, 1949
Cost:		
Land	\$ 634,567	\$ 720,279
Buildings	4,761,987	4,773,397
Machinery, furniture and fixtures, at plants	1,659,356	1,524,210
Automobiles and other branch and store equipment	9,512,993	8,090,498
Total property, plant and equipment.....	16,568,903	15,108,384
Allowance for depreciation:		
Buildings	1,640,500	1,541,905
Machinery, furniture and fixtures, at plants	866,668	787,155
Automobiles and other branch and store equipment	4,334,241	3,322,524
Total depreciation	6,841,409	5,651,584
Book value of property, plant and equipment.....	\$ 9,727,494	\$ 9,456,800

PREFERRED STOCK—STOCK IN TREASURY

Preferred stock is 3¾% cumulative \$100 par value, and 75,000 shares have been authorized and issued. The preferred stock may be redeemed in whole or in part on 30 days' notice at \$106 per share until June 30, 1951, and thereafter at a 50¢ per share reduction in price each July 1, until July 1, 1956, on and after which the price is \$103 per share, in each case plus accrued dividends.

The company must acquire on or before each June 30, commencing in 1950, at least 1,500 shares in connection with sinking fund requirements of the issue. Sinking fund redemption price is \$104.50 per share to June 30, 1951, and decreases 25¢ per share per annum to \$103 per share after June 30, 1956, in each case plus accrued dividends.

There were 1,560 shares of preferred stock in the treasury on December 30, 1950, valued at acquisition cost of \$156,236. Of these shares 1,500 were acquired for the June 30, 1950 sinking fund requirements and have been so earmarked. It is planned to formally retire these preferred shares at five year intervals.

COMMON STOCK

Common stock of no par value consists of 900,000 authorized shares. At December 30, 1950 there were 563,694 shares issued and outstanding of which 1,815 shares were issued to employees in 1950 under terms of the company's employee stock purchase plan. The proceeds of \$76,328 have been credited to the Common Stock Account.

INFORMATION ABOUT THE FINANCIAL STATEMENTS

ACCUMULATED EARNINGS

Under the terms of the preferred stock provisions of the certificate of incorporation, \$9,790,265 is available for cash dividends on common stock.

CONTINGENT LIABILITY—JEWEL EMPLOYEES' SURETY DEPOSITS

Certain employees of the company make cash deposits as security for their handling of company property. These surety deposits are kept in a separate employees' trust fund, of which the company is trustee. Principal, and interest at the rate of 2% per annum, are guaranteed by the company. The assets of the employees' trust fund on December 30, 1950, consisted of investments (valued at lower of cost or market) and cash totaling \$286,263 which covered in full the liability for employees' surety deposits. Neither the assets nor liabilities of the employees' trust fund are included in the balance sheet.

CONTRIBUTIONS

The General Corporation Law of New York now requires that domestic corporations include in their annual reports to stockholders information as to contributions in excess of \$500 for the year. Because of the company's decentralized operations individual contributions do not often exceed that amount. During the year 1950, however, the company contributed \$8,725 to the Chicago Community Fund and \$3,643 to the American Red Cross.

NOTE FINANCING

On February 2, 1951 the company received \$3,000,000 from two life insurance companies in exchange for its 2.85% unsecured notes dated February 1, 1951, payable in equal annual instalments beginning February 1, 1962 with a final maturity on February 1, 1971. An additional \$2,000,000 is also available at the company's option from the insurance companies any time prior to February 2, 1953, subject to the same terms.

Under terms of the note agreement net earnings accrued subsequent to December 30, 1950, plus \$3,500,000 will be available for cash dividends on the common stock, and for redemptions of any class of stock in excess of proceeds from sale of any class of stock. The note agreement places no restriction on the meeting of dividend or sinking fund requirements of the present preferred stock.

On November 17, 1950 arrangements were completed with a group of the company's principal banks for an unsecured bank credit extending to January 5, 1961 in the amount of \$3,000,000, all or any part of which is available on a standby revolving basis until January 5, 1954. At that time, the principal amount may be converted, in whole or in part, at the company's option into a term loan. Repayment terms call for 8% of the principal amount in each of the years 1955 through 1960 with a final payment of 52% in 1961.

JEWEL TEA CO., INC.

A NEW YORK CORPORATION

PRINCIPAL OFFICES

Chairman of the Executive

Committee and the President..... 135 South LaSalle Street,
Chicago 3, Illinois

Corporate Jewel Park, Barrington, Ill.

Jewel Food Stores..... 3617 South Ashland Avenue,
Chicago 9, Illinois

Home Service Routes..... Jewel Park, Barrington, Ill.

Importing 99 Wall Street, New York City

STOCKHOLDERS' ANNUAL MEETING

Jewel stockholders are cordially invited to attend the annual meeting which will be held on Tuesday, March 27, 1951, at the Biltmore Hotel in New York City. A notice of the meeting, along with a proxy statement and proxy for those unable to attend will be mailed on or about March 2, 1951 to the holders of our common stock February 28, 1951. Any opinions, comments or suggestions from stockholders not planning to be at the meeting will be welcomed.

STOCK LISTING

No Par Common Stock and 3¾% Cumulative Preferred Stock
Listed on the New York Stock Exchange

TRANSFER AGENT

Manufacturers Trust Company, 55 Broad Street
New York 15, N. Y.

REGISTRAR

The Commercial National Bank and Trust Company of New York
46 Wall Street, New York 15, N. Y.

JEWEL FOOD STORES

Blanket the Chicago Area



